



K. Chad Burgess  
Director & Deputy General Counsel

[chad.burgess@scana.com](mailto:chad.burgess@scana.com)

February 11, 2019

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive  
Columbia, South Carolina 29211

**RE: Friends of the Earth and Sierra Club v. SCE&G  
Docket No. 2017-207-E**

**Request of the Office of Regulatory Staff for Rate Relief to South  
Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. §  
58-27-920  
Docket No. 2017-305-E**

**Joint Application and Petition of South Carolina Electric & Gas  
Company and Dominion Energy, Incorporated for Review and Approval  
of a Proposed Business Combination between SCANA Corporation and  
Dominion Energy, Incorporated, as May Be Required, and for a  
Prudency Determination Regarding the Abandonment of the V.C.  
Summer Units 2 & 3 Project and Associated Customer Benefits and Cost  
Recovery Plans  
Docket No. 2017-370-E**

Dear Ms. Boyd:

On December 31, 2018, South Carolina Electric & Gas Company ("SCE&G") filed tariff sheets in the above-referenced dockets in compliance with Order No. 2018-804 issued by the Public Service Commission of South Carolina ("Commission"). On Friday, February 8, 2019, counsel for the Commission inquired whether Rate 15—Supplementary and Standby Service ("Rate 15") should be included among the rate schedules referenced in the tariff entitled "Rider to Retail Rates - Capital Cost Rider Component" ("CCR"); the answer is yes. Attached for filing on the Commission's DMS system is an updated version of CCR which includes reference to Rate 15. Please be advised that SCE&G has also emailed the updated CCR to the appropriate staff member at the Commission for uploading onto the Commission's ETariff System.

(Continued ...)

The Honorable Jocelyn G. Boyd, Esquire  
February 11, 2019  
Page 2

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By copy of this letter, SCE&G is providing the other parties of record with a copy of the corrected CCR.

**If you have any questions, please advise.**

Very truly yours,



K. Chad Burgess

KCB/kms  
Enclosures

cc: All parties of Record in Docket No. 2017-305-E  
All parties of Record in Docket No. 2017-207-E  
All parties of Record in Docket No. 2017-370-E  
(all via electronic mail only w/enclosure)

## RIDER TO RETAIL RATES

CAPITAL COST RIDER COMPONENT  
(Page 1 of 2)

## APPLICABILITY

This rider applies to and is a part of the Basic Facilities Charges, Demand Charges, and Energy Charges in the Company's Residential (1, 2, 5, 6, 7, and 8), Small General Service (3, 9, 10, 11, 12, 13, 14, 16, 22, and 28), Medium General Service (15, 20, 21, and 21A), and Large General Service (23, 24, and 27 baseline charges) retail electric rate schedules. It does not apply to the Company's Lighting class rates.

## DESCRIPTION

In Order No. 2018-804, the Public Service Commission of South Carolina (the "Commission"), directed SCE&G to remove from retail electric rates annual revenues of \$413 million associated with its investment in certain new nuclear project assets (the "Capital Costs") and ordered SCE&G to recover the costs under the terms of this Capital Cost Rider.

## Capital Cost Rider Calculation

The revenue requirements to be recovered under this Capital Cost Rider equal:

Capital Cost Amortization + Return on Capital Cost Rate Base + NND EDIT Amortization = Revenue Requirement

Where:

1. The Capital Cost Amortization equals the annual amortization expense associated with the Capital Costs, calculated as Capital Costs divided by 20 to reflect a 20 year amortization and recovery of the Capital Costs.
2. The Capital Costs is \$2.768 billion approved by the Commission for inclusion in the Capital Costs Rate Base established in Order No. 2018-804.
3. The Capital Cost Rate Base equals the Capital Costs net of accumulated Capital Cost Amortization minus the Deferred Tax Liability ("DTL") including excess deferred income taxes ("EDIT") measured against the Capital Costs plus the net operating loss carryforward ("NOLC") related Deferred Tax Asset ("DTA"), including EDIT, as approved in Order No. 2018-804. The DTL and DTA will be adjusted as described in step 6 below.
4. Return on Capital Cost Rate Base equals the Cost of Capital times the balance in the Cost of Capital Rate Base.
5. The Cost of Capital approved in Order No. Order No. 2018-804 reflects a 9.9% return on equity, a 5.56% cost of debt, and capital structure fixed at the pre-impairment ratios of 52.81% equity and 47.19% debt.
6. The NND EDIT Amortization shall be calculated as follows:
  - a. The DTL and associated EDIT shall follow the annual amortization of the Capital Costs over 20 years.
  - b. The NOLC-related DTA and associated EDIT shall reflect Dominion Energy's projected ability to utilize the NOLC to reduce its consolidated income tax liability

SCE&G shall compute the Retail Revenue Requirement each year. The NND capital cost EDIT amortization described in item #6 above shall be applied to the annual retail revenue requirement (NND retail revenue requirement inclusive of NND EDIT Amortization).

The Retail Revenue Requirement shall be allocated among customer classes and rates using SCE&G's most current study of contribution to system peak demand by customer class.

## RIDER TO RETAIL RATES

CAPITAL COST RIDER COMPONENT  
(Page 2 of 2)

## Refund Credits to Capital Cost Rider

**Refund Credit 1 - Toshiba Settlement Regulatory Liability**

Per Order No. 2018-804, \$1.032 billion will be refunded to SCE&G retail customers over the twenty-year NND cost recovery period per a fixed amount as presented in Exhibit PP-2A entered into the record in Docket No. 2017-370-E. This amount is equal to the net retail proceeds of SCANA's settlement with Toshiba Corp.

**Refund Credit 2 - NND Regulatory Liability**

Per Order No. 2018-804, SCE&G will establish a regulatory liability for refunds and restitution of amounts previously collected from customers of \$1.007 billion. Instead of evenly distributing these refunds over the entire period, the refunds are credited to customers so that the resulting bills to be paid by SCE&G's retail electric customers under the Capital Cost Rider will be levelized taking into account the EDIT amortization and the Capital Costs amortization that reduces the balance of the unrecovered Project investment, thereby reducing the capital cost associated with it.

## Under this rider:

1. Each year SCE&G shall compute the Rider Retail Revenue Requirement inclusive of the associated projected NND EDIT amortization.
2. The annual fixed Toshiba refund amount per Exhibit PP-2A shall be applied to the retail revenue requirement and correspondingly reduce the Toshiba Settlement Regulatory Liability.
3. The difference between this calculated amount (step 1 and 2) and the cash collected from customers related to NND shall be deemed a refund to customers (NND Refund), and reduce the corresponding NND regulatory liability.
4. The NND Refund shall be applied to the rate calculation until the funds available in the NND Regulatory Liability are exhausted.

## SALES AND FRANCHISE TAX

The Rider will apply before adding any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

## PAYMENT TERMS

All bills are net and payable when rendered.

## TERM OF CONTRACT

The contract terms will be the same as those incorporated in the rate tariff under which customer receives electric service.

## GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and are part of this rider.